



PRE-BUDGET 2012 SUBMISSION

Irish Cigarette Machine Operators Association (ICMOA)

October 2012

Introduction:

The ICMOA is the trade association representing operators of cigarette vending machines in Ireland. The association was founded in 1982 and currently has over 60 member businesses with over 150 people employed. **ICMOA members contributed approx. €200m to the exchequer from excise and VAT in 2011.**

Recommendation:

The ICMOA strongly recommends that there is no increase in excise duty on tobacco in the forthcoming budget.

Background:

- The incidence of non-Irish duty paid (NIDP) tobacco has reached crisis levels in Ireland and appears set to continue to grow;
- The latest surveys show that almost 1 in 3 packets of cigarettes consumed in Ireland are NIDP;
- The NIDP share of the market has grown steadily with each previous increase in excise duty.

Effect:

- The growth of the illicit trade is effectively transferring the tobacco market from legitimate, tax-compliant retailers such as our members into the hands of criminal gangs;
- In the last five years approx. one third of our membership have gone out of business;
- NIDP tobacco is imported and sold by criminal gangs who use the proceeds to fund other criminal activities such as drug-dealing and prostitution;
- Sellers of NIDP do not exercise any form of age-control over their customers and frequently use children to sell the tobacco;
- Contraband tobacco is not manufactured according to any standardised system of regulation and therefore may contain hazardous materials which the consumer is unaware of;
- ICMOA members are fully compliant with the laws on tobacco control including preventing sales to minors, only siting vending machines in supervised areas in licensed premises and registering all locations at which they sell tobacco with the Office of Tobacco Control;
- The rapid growth in the incidence of NIDP tobacco means that its consumption is becoming normalised. In many areas of the country NIDP cigarettes are already the norm among smokers;
- The spectacular profitability of the illicit trade is allowing criminal gangs to develop a robust infrastructure for the importation and distribution of NIDP tobacco. The more this infrastructure and the associated international criminal links are entrenched and strengthened, the harder they will be to reverse in the future – the situation is therefore extremely urgent;

- The efficiency of the criminal sellers in this regard has meant that smokers can obtain 20 cigarettes for as little as €3 to €4. The availability of cigarettes at these prices flies in the face of health policy and is rendering the policy of using excise as a deterrent to smoking irrelevant.

Conclusion:

As shown above, the tobacco market in Ireland is rapidly moving from legitimate, tax-compliant businesses into the hands of criminal gangs. Despite the excellent work being done by the various law-enforcement authorities, the enormous price differential between Ireland and other jurisdictions means that illicit tobacco will continue to flood into this country in ever-increasing quantities. Therefore the ICMOA, on behalf of its members, asks this government in the strongest possible terms to avoid a further increase in excise duties in the forthcoming budget.